MassDOT

FY20 Operating Budget

June 17, 2019

massDOT
Massachusetts Department of Transportation

Overview

- This presentation will walk the Board through projections and key assumptions for the FY20 MassDOT Operating Budget
- Key challenges:
  - Continued management of non-snow and ice overtime
  - Increasing staffing levels to stay ahead of attrition and build workforce up to budgeted level of 3,600 FTEs
  - Appropriate management of modest non-toll operating reserve balance
  - Continuing concern that Commonwealth Transportation Fund transfers are not sufficient to cover snow & ice operations without supplemental funding
- Due to the ongoing state budget process, we have chosen to budget against the House's proposed Commonwealth Transportation Fund Transfer, which is the lower of the House and Senate proposals. The budget will need to be revised once the final budget is passed by the Legislature and signed by the Governor

FY20 Budget Highlights

- The budget maintains headcount at 3,600 FTEs
- Funds projected payroll and fringe increases and retroactive pay increase for employees using withdrawals from MTTF non-toll operating reserves
- Reduced funding for snow & ice budget, increasing reliance on supplemental funding
- Toll revenues are increased and expenses adjusted to be more aligned with 2 years of All Electronic Tolling (AET) actuals

MassDOT's Budget

MassDOT's budget is divided into Toll and Non-Toll components

Key funding sources for the budget include legislatively-approved transfers from the Commonwealth Transportation Fund for:

- Operations (including Snow & Ice)
- Regional Transit Authorities (RTA's)
- Merit Rating Board (MRB)

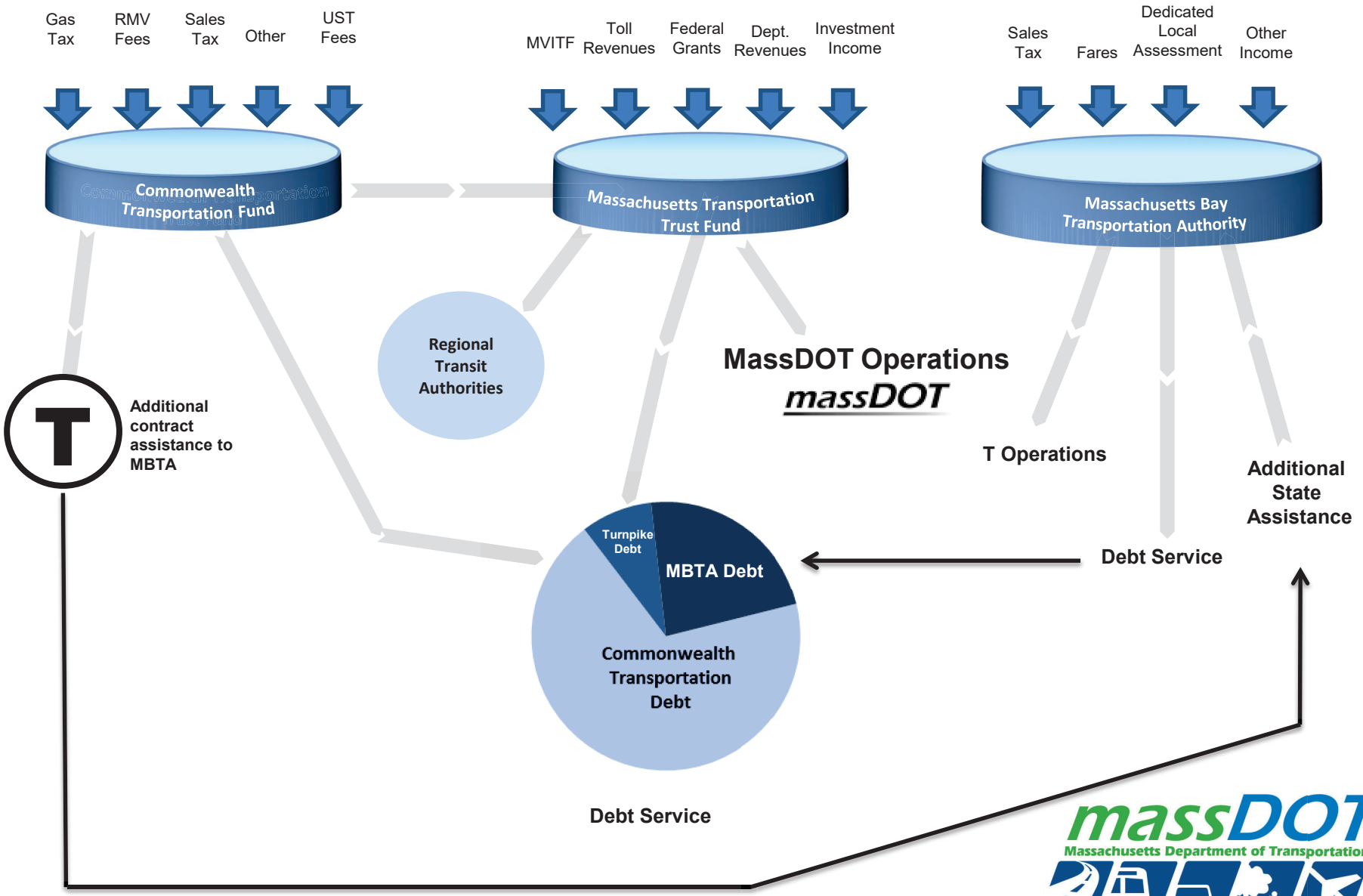
Other revenue sources include

- Tolls
- Motor Vehicle Inspection Trust (MVITF)
- Federal Grants
- Own source revenues (real estate)

Commonwealth Transportation Fund

- Revenues primarily flow into the fund from the gas tax, Registry fees and sales tax on motor vehicles
- CTF is used to meet operating needs:
  - Support all non-toll road operations and personnel at MassDOT, including maintenance, planning and project management, Registry of Motor Vehicles, Aeronautics, as well as department-wide “enterprise services” (legal, human resources, procurement) that support MassDOT
  - Provides operating support to 15 Regional Transit Authorities (RTA’s) through a separate transfer, which may not be used for MassDOT operations
  - Support operations of the Merit Rating Board (MRB) through a separate transfer, which may not be used for MassDOT operations

Transportation Funding in Massachusetts



MassDOT's Budget: Non-Toll Operating Budget

- Funding is provided in the form of transfers from the Commonwealth Transportation Fund (CTF) into the Massachusetts Transportation Trust Fund (MTTF) as well as departmental revenues, such as leases, real estate transactions and fee income

- The balance in the MTTF is available to the Department without further appropriation by the Legislature

- The Board approves the budget based on resources available in the MTTF but does not control the size of the CTF transfer, which is determined through the state budget process

MassDOT's Budget: Toll Operating Budget

- Funding is provided through toll collections and departmental revenues, such as leases and fees
- Revenues can only be used to fund expenses associated with toll road operations
- Net revenues remaining after all toll operating expenses and debt service have been covered are available to fund paygo capital projects on the toll roads

Commonwealth Transportation Fund Transfers

$ in millions	FY17 Actual	FY18 Actual	GAA FY 19	Gov't FY 20	House FY 20	SWM FY 20	Senate FY 20	vs GAA FY 19 Lower House/ Senate	vs GAA FY 19 $ Variance	vs GAA FY 19 % Change
Operations										
Non Snow & Ice	267.0	241.6	285.5	288.9	289.9	288.9	289.7	289.7	4.1	1.4%
Snow & Ice	62.1	61.7	73.0	105.0	55.0	55.0	55.0	55.0	(18.0)	(24.7%)
Snow & Ice Supplement	63.8	50.2	37.0	0.0	0.0	0.0	0.0	0.0	(37.0)	(100.0%)
Total Operations	392.9	353.6	395.5	393.9	344.9	343.9	344.7	344.7	(50.9)	(12.9%)
RTAs	82.0	80.4	88.0	86.0	87.0	90.5	90.5	87.0	(1.0)	(1.1%)
MRB	9.7	9.4	9.8	9.8	10.2	9.8	10.2	10.2	0.4	4.1%
Total MassDOT	484.6	443.4	493.3	489.6	442.1	444.1	445.4	441.9	(51.5)	(10.4%)

- FY20 Lower House/Senate recommendation:
  - $4.1 million, or 1.4% increase for MassDOT non-Snow and Ice operations
  - $18.0 million, or 24.7% decrease in Snow and Ice funding below FY19 GAA and increased reliance on supplemental funding
  - $1.0 million decrease in RTA contract assistance, related to one time assistance to support elimination of unfunded deficits in FY19

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FY20 Draft Consolidated Budget

($ in millions)	Non-Toll	Toll	Federal Grants	MVITF	MRB	Total
REVENUE:						
Toll Revenue		459.8				459.8
Operating Revenue	28.8					28.8
Commonwealth Transfers (Operating)	376.7	125.0			10.2	511.9
Commonwealth Transfers (Snow & Ice)	55.0					55.0
Federal Grants			19.6			19.6
Motor Vehicle Inspection Trust Fund				57.3		57.3
Investment Income	0.8	20.2		0.4		21.4
Total Revenue	**461.2**	**605.0**	**19.6**	**57.7**	**10.2**	**1,153.6**
EXPENDITURES:						
Employee Compensation and Benefits	277.0	91.1	1.3	4.5	4.5	378.5
Office and Administrative Expenses	28.8	38.3	0.0	0.1	0.4	67.6
Professional Services	27.7	69.2	0.7	6.0	0.1	103.7
Construction and Maintenance	51.8	15.5	1.9		0.0	69.2
IT Services and Equipment	26.5	10.7	0.3	0.4	5.5	43.4
Materials, Supplies, and Equipment	4.2	11.5	4.2	0.0	0.1	19.9
Grants, Subsidies, and ISA	94.1	3.3	11.2	2.5		111.1
Debt Service		151.0				151.0
Total Expenditures	**510.1**	**390.6**	**19.6**	**13.5**	**10.6**	**944.4**
Excess (deficit) Revenue over Expenditures	**(48.9)**	**214.4**	**(0.0)**	**44.2**	**(0.5)**	**209.2**
Other Financing Sources/Uses (OFSU):						
Interfund Transfer In / (Out)	44.2			(44.2)		0.0
Reserves	39.7				0.5	40.2
Available for Capital	(35.0)	(214.4)				(249.4)
Total Other Financing Sources	**48.9**	**(214.4)**	**0.0**	**(44.2)**	**0.5**	**(209.2)**
Net Revenue (Expense)	**0.0**	**0.0**	**(0.0)**	**0.0**	**0.0**	**(0.0)**

Non-Toll Operating (excluding snow & ice)

$ in millions	FY19 Budget	FY20 Budget	$ Variance	% Variance	Comments
REVENUE:					
Operating Revenue	26.6	28.8	2.2	8%	
Commonwealth Transfers (Operating)	285.5	289.7	4.1	1%	
Commonwealth Transfers (RTAs)	88.0	87.0	(1.0)	-1%	RTA contract assistance reduction
Investment Income	1.6	0.8	(0.8)	-49%	
Total Revenue	**401.7**	**406.2**	**4.5**	**1%**	
EXPENDITURES:					
Employee Compensation and Benefits	222.4	270.0	47.6	21%	Primarily FY18 - FY20 payroll and fringe increases, including bargaining unit retroactive
Office and Administrative Expenses	30.4	28.8	(1.6)	-5%	Energy and Service Plaza management savings
Professional Services	23.6	27.6	4.0	17%	Greenfield pilot & TNC program
Construction and Maintenance	4.2	5.1	0.8	20%	
IT Services and Equipment	24.3	26.2	1.8	8%	IT Atlas Software
Materials, Supplies, and Equipment	3.5	3.4	(0.1)	-3%	
Grants, Subsidies, and ISA	96.1	94.1	(2.0)	-2%	EQE ISA and One-time RTA cost Saving
Total Expenditures	**404.6**	**455.1**	**50.5**	**12%**	
Excess (deficit) Revenue over Expenditures	**(2.9)**	**(48.9)**	**(46.0)**		
Other Financing Sources/Uses:					
Interfund Transfer In / (Out)	40.5	44.2	3.7	9%	MVITF transfer
Reserves	0.0	39.7	39.7	0%	FY18 - FY20 payroll and fringe increases, including bargaining unit retroactive & TNC Prog
Available for Capital	(37.6)	(35.0)	2.6	-7%	
Total Other Financing Sources	**2.9**	**48.9**	**46.0**		
Net Revenue (Expense)	**0.0**	**0.0**	**0.0**		

Non-Toll Operating – Payroll Increases Breakout

FY20 Increases	$ in millions
Step, COLA, and Management increases	7.6
Overtime increase	3.7
RMV Temps	2.6
Re-allocation between non-toll operating and capital	2.0
Cost Allocation Plan Update	1.0
Collective Bargaining E Reclassification	3.2
RMV Reclassification	1.2
Net Other	2.0
Fringe & Indirect Cost Increase	9.4
TOTAL	32.6

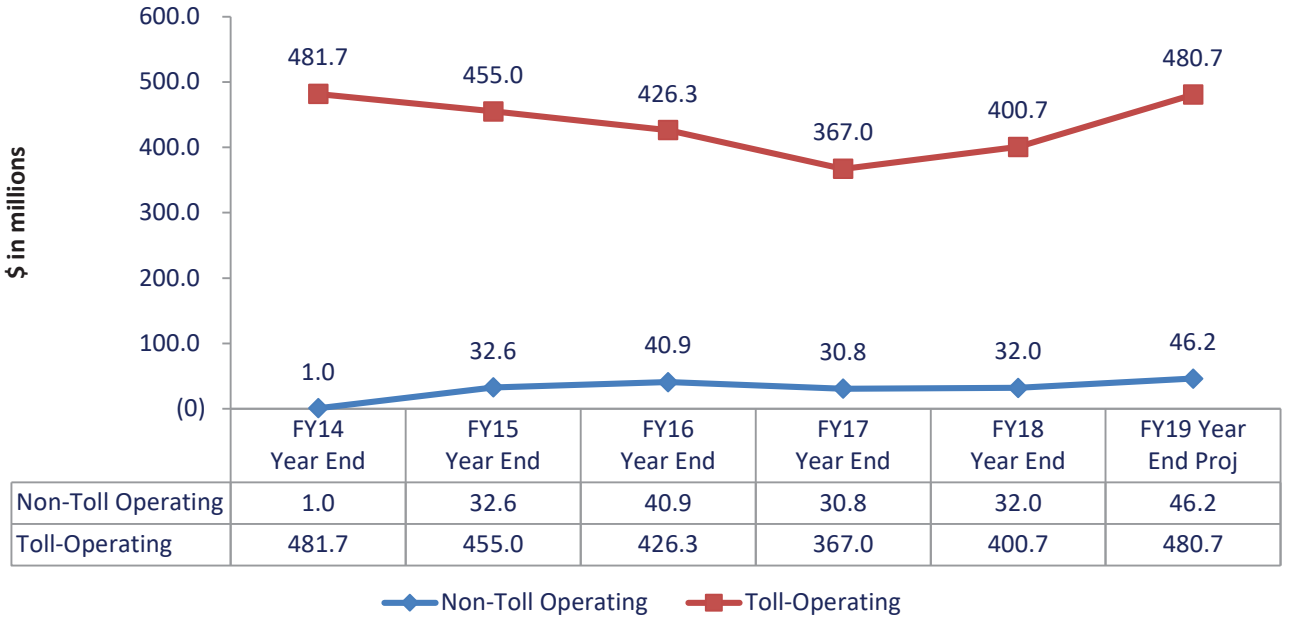
FY16-FY19 Retro	$ in millions
FY18-FY19 COLA B,C,D, E increase retro	6.9
FY16-FY19 Collective Bargaining E Reclassification	3.2
Fringe & Indirect Cost	3.9
TOTAL	14.0

- $47M variance FY 20 Budget vs FY 19
  - $14.0M FY 16-FY 19 collective bargaining unit Retro
  - $32.6M FY 20 salary, fringe, indirect cost increases

Toll Operating (excluding snow & ice)

$ in millions	FY19 Budget	FY20 Budget	$ Variance	% Variance	Comments
REVENUE:					
Toll Revenue	441.3	459.8	18.5	4%	In line with historical AET actuals
Commonwealth Transfers	125.0	125.0	0.0	0%	
Investment Income	7.0	20.2	13.2	190%	Higher yield and balances
Total Revenue	**573.2**	**605.0**	**31.8**	**6%**	
EXPENDITURES:					
Employee Compensation and Benefits	89.5	88.1	(1.4)	-2%	Cost Allocation Plan, flexible hirings
Office and Administrative Expenses	43.9	38.3	(5.6)	-13%	Energy, Credit Card and Chargeback
Professional Services	76.1	69.2	(7.0)	-9%	Mainly related to toll collections (Transcore, credit card fees)
Construction and Maintenance	10.7	10.7	(0.0)	0%	
IT Services and Equipment	10.5	10.7	0.2	2%	
Materials, Supplies, and Equipment	12.5	11.4	(1.1)	-9%	Transponder
Grants, Subsidies, and ISA	2.4	3.3	0.8	35%	
Debt Service	147.6	151.0	3.4	2%	Refunding; saving in outer years
Total Expenditures	**393.2**	**382.7**	**(10.5)**	**-3%**	
Excess (deficit) Revenue over Expenditures	**180.0**	**222.3**	**42.2**	**23%**	
Available for Capital	**171.5**	**214.4**	**42.2**	**24.6%**	

Non-Toll Operating & Toll Operating Reserve

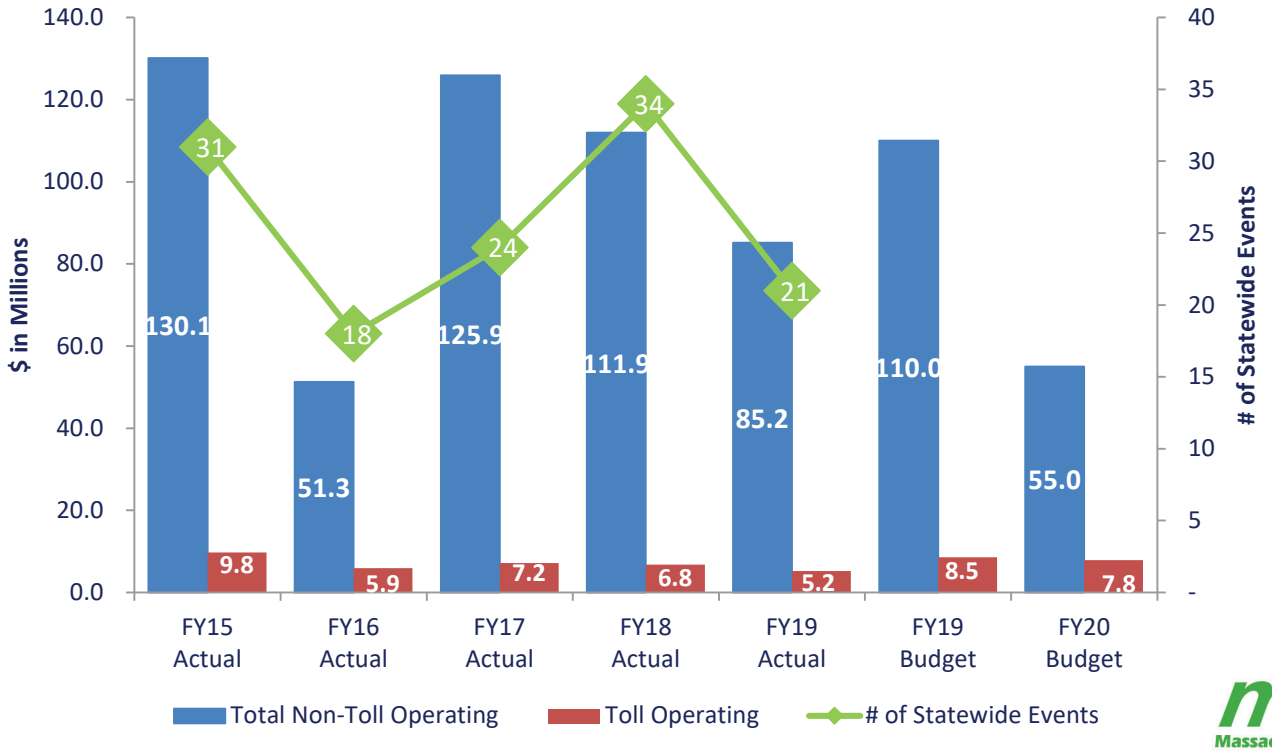


	FY14 Year End	FY15 Year End	FY16 Year End	FY17 Year End	FY18 Year End	FY19 Year End Proj
Non-Toll Operating	1.0	32.6	40.9	30.8	32.0	46.2
Toll-Operating	481.7	455.0	426.3	367.0	400.7	480.7

- FY19 Non-Toll Operating Year end projection anticipates $46.2M reserve available
- FY19 Toll-Operating Year End projection anticipates $480.7M reserve available

Snow & Ice

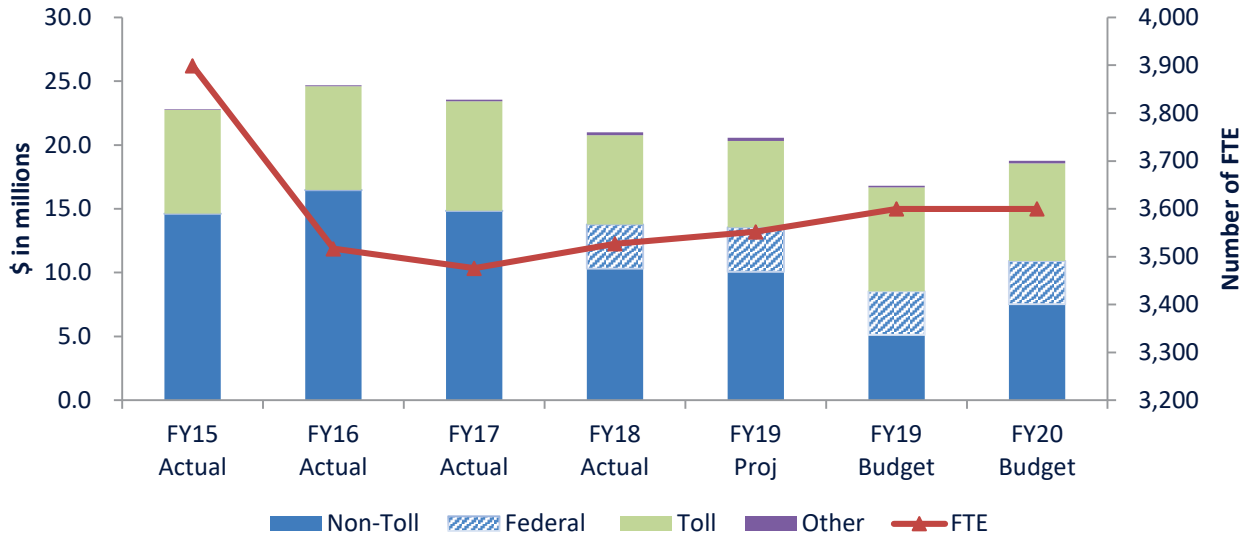
$ in 000's	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY19 Budget	FY20 Budget	$ Variance
							FY20 vs FY19 Budget	
Non-Toll Operating	48.6	51.3	62.1	61.7	78.3	78.3	55.0	(23.3)
Non-Toll Operating Supplement	81.5	0.0	63.8	50.2	6.9	31.7		(31.7)
Total Non-Toll Operating	130.1	51.3	125.9	111.9	85.2	110.0	55.0	(55.0)
Toll Operating	9.8	5.9	7.2	6.8	5.2	8.5	7.8	7.8
TOTAL SNOW & ICE	139.9	57.2	133.1	118.7	90.4	118.5	62.8	(55.7)
# of Statewide Events	31	18	24	34	21			



- 5 years snow & ice average is over $100M. FY20 HWM budget recommends snow and ice of $55M and more reliance on supplemental funding

Overtime (excluding snow & ice)

$ in millions Funding Type	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Proj	FY19 Budget	FY20 Budget	$ variance
Non-Toll	14.6	16.5	14.8	10.3	10.1	5.1	7.5	2.4
Toll	8.1	8.1	8.6	7.0	6.8	8.2	7.6	(0.5)
Federal	0.0	0.0	0.0	3.5	3.5	3.4	3.4	(0.0)
Other	0.0	0.1	0.1	0.2	0.3	0.1	0.2	0.1
TOTAL Overtime	22.8	24.7	23.6	21.0	20.6	16.8	18.8	2.0
FTE	3,899	3,516	3,476	3,527	3,552	3,600	3,600	-



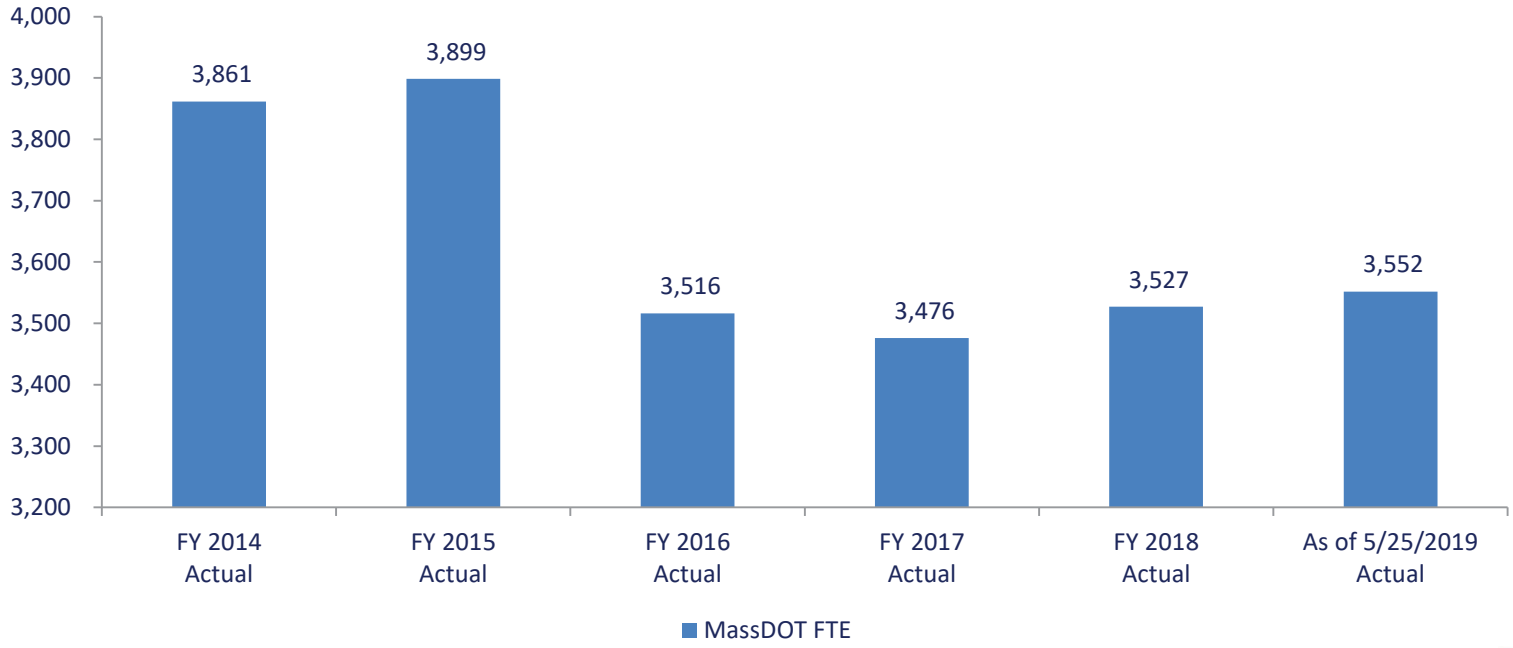
- Non-Toll Operating Funding increased by $2.4M to be more closer to historical overtime

Note:

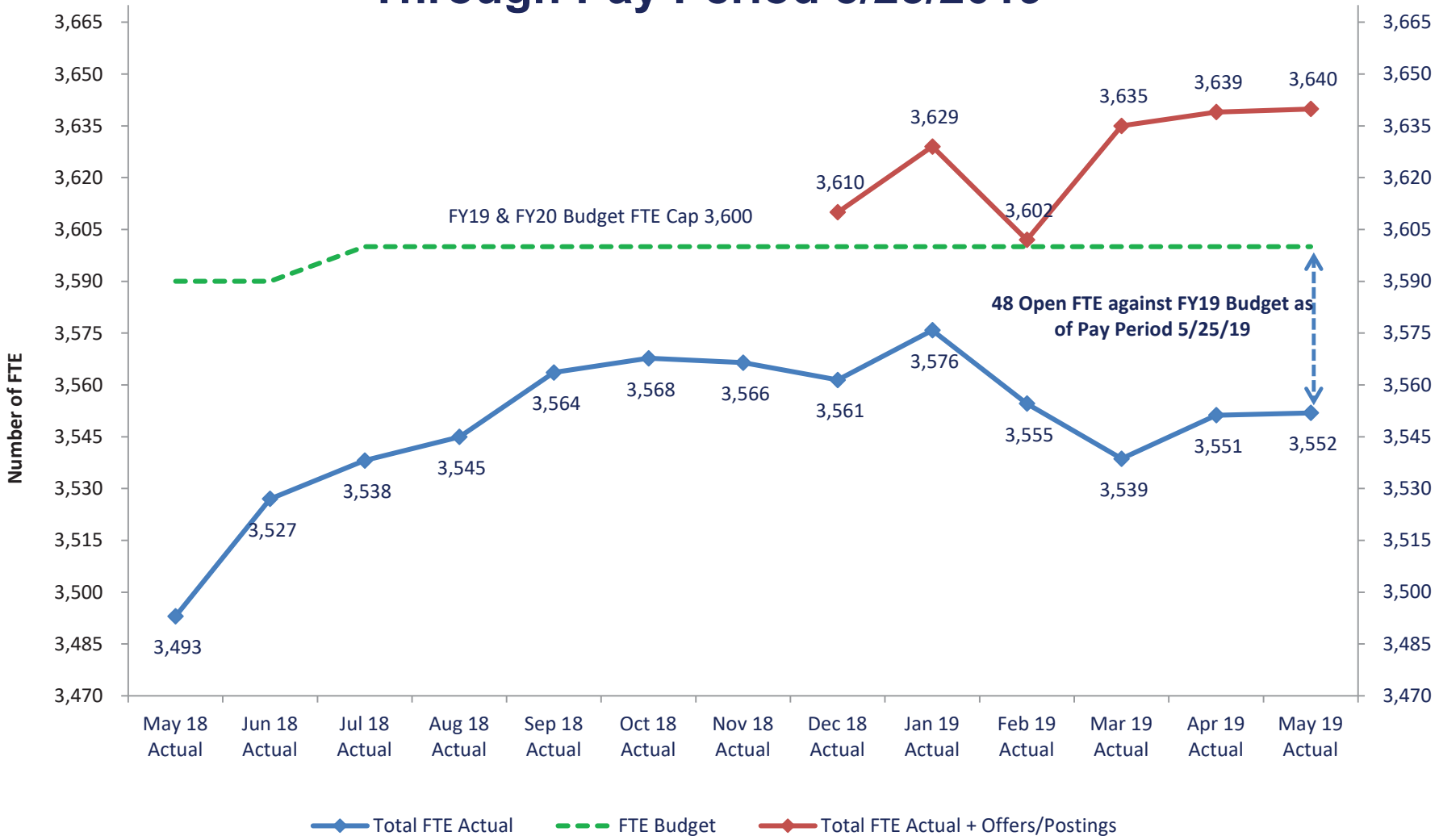
- For trending purposes, Funding Type including capital expenses
- FY15-FY17 FTE & expenses excluding toll takers
- FY19 FTE as of 5/25/2019 Pay Period

MassDOT FY14-FY19 Historical FTE

Division	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	As of 5/25/2019 Actual
Aeronautics	12	12	13	13	13	12
Highway (Exclude Toll Takers)	2,625	2,671	2,354	2,328	2,311	2,321
Planning and Enterprise Services	464	468	430	423	419	433
Rail and Transit	10	14	12	11	10	12
Registry of Motor Vehicles	751	733	708	701	774	774
TOTAL	3,861	3,899	3,516	3,476	3,527	3,552



MassDOT FY19 FTE Monthly Through Pay Period 5/25/2019



MassDOT FY16-FY19 FTE Quarterly Through Pay Period 5/25/2019